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A tall, yellow and red oil drilling rig stands prominently in a snowy mountain landscape. The rig is positioned in the center of the frame, with its base on a dark, snow-covered platform. The background features a steep, snow-dusted mountain slope covered in evergreen trees. In the foreground, dark, snow-laden tree branches frame the left and right sides of the image. The sky is a clear, pale blue.

ALMINEX LIMITED

1975 ANNUAL REPORT

*1975
ANNUAL
REPORT*

ALMINEX LIMITED

The Cover

Nabors Drilling Rig 16 on location
in Alberta's Foothills near Bellevue.

Executive Office

300, Crown Trust Building
407 Eighth Avenue S.W.
Calgary, Alberta T2P 1E5

Board of Directors

C. L. BARNEY, HOUSTON, TEXAS
Vice President of Production
The Superior Oil Company

M. A. COOPER, TORONTO, ONTARIO
President and Managing Director
Falconbridge Nickel Mines Limited

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Vice President of the Company

J. E. REID, HOUSTON, TEXAS
President and
Chief Executive Officer of the Company

J. N. STEPHEN, CALGARY, ALBERTA
Vice President and
General Manager of the Company

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President and Chief Executive Officer

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Vice President

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W. R. ROBERTSON
Secretary

J. M. THOMSON, Q.C.
Assistant Secretary

Exploration continued in Montana, Colorado and Wyoming and expanded into North Dakota, Oklahoma and New York. Alminex joined in purchasing 14 additional Federal lease blocks offshore Texas, increasing its number of blocks in the Gulf of Mexico to 34. One of those recently purchased, Block 831, (Alminex's interest 5%) yielded a gas discovery whose commercial significance must await further drilling. A major program of exploration and development is taking place on all these offshore leases.

As an equal participant with Asamera Oil Corporation, Ltd., Alminex joined in submitting an application to secure exploration rights in Guatemala. The continuing exploration successes occurring in nearby areas of Mexico render this an area of interest. Alminex has taken a farmout from Carlsberg Petroleum Corporation offshore India and, together with that company and other joint-venture participants, is engaged in drilling a deep test in the Bay of Bengal. When this test and a second obligatory well have been completed, Alminex will have earned a 2.5% interest in the Production Sharing Agreement covering 6,988,140 acres.

THE INDUSTRY

The reduction in United States exports to 510,000 barrels per day, effective January 1, 1976, and their total elimination in a few years, will only be ameliorated in part by the completion of the Sarnia-Montreal pipeline in the fall of 1976. There is a possibility, too, that natural gas exports will also be restricted in the interests of conserving supplies for the Canadian consumer. Compensating for this trend is the likelihood that the selling price of crude oil will rise as the Federal Government finds it increasingly difficult to finance oil imports with the diminishing revenue accruing from oil exports. Such a rise would shortly be followed by sympathetic increases in the selling price of natural gas and natural gas liquids.

There appears to be a growing awareness on the part of the Federal Government of the plight in which the industry is placed because of the Government's policy of excessive taxation. Its steps to redress the situation, while still insufficient, are in the right direction. In response to these measures and the incentive programs initiated by the Alberta Government, exploration has improved in this

Province. It is anticipated that this improvement will extend to British Columbia. Alminex is hopeful that Governments will see the merit of still further reducing the heavy burdens of taxation and royalties and enable industry to expend the enormous sums of capital necessary to find and develop additional reserves. In the near-term, Canada faces an energy crisis. It can only be alleviated by a vigorous and competitive, private domestic industry, in which Alminex will play its part.

OUTLOOK FOR ALMINEX

It is Alminex's intention to maintain a high level of activity in Alberta and renew exploration in British Columbia. The election of a new Government in British Columbia, and the expectation that the economic climate will improve, is encouraging. Exploration efforts will be directed towards the Alberta Foothills, portions of the deep basin and gas and oil reservoirs in various other parts of the Province. Scheduled for development are gas reserves in Alberta and in northern British Columbia. A gas processing plant will be built at Bashaw and it is planned to bring the western portion of the Marten Hills gas field into production.

Despite recently enacted legislation in the United States, commodity prices for oil and gas, except when controlled by the Federal Power Commission, are generally higher and royalties significantly lower than in Canada. Profit margins are thus much enhanced. For this reason, Alminex will maintain its aggressive program in the United States. It intends to develop its oil reserves in North Dakota, Colorado and Oklahoma, its gas reserves in Montana, offshore Texas and offshore Louisiana, and will explore for additional reserves in these States as well as in Wyoming and New York.

Alminex is conducting investigations in various other foreign countries, particularly in the Middle East. Its heavy commitments in North America make it unlikely that Alminex can immediately assume substantial financial undertakings elsewhere, but it intends doing so as circumstances permit.

CHANGES IN THE BOARD OF DIRECTORS

As mentioned in the Interim Report, we were saddened by the untimely death of Mr. J. B. Webb on May 21, 1975. Mr. Webb was Vice President and General Manager of Alminex during the period 1959 to 1968, a Director from 1959, and a consultant to the Company following his years as Vice President, until his passing. "Jack" Webb was truly a pioneer in Canada's oil industry, having begun as a geologist in 1926. His wisdom and humanity will be sorely missed by all who knew him.

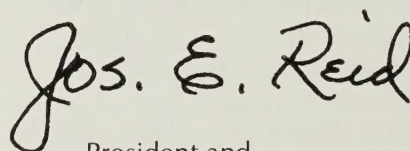
Mr. D. R. De Laporte resigned his directorship following his election to the Presidency of Brinco Limited and relinquishment of his position as Vice President, Western Minerals Division, Falconbridge Nickel Mines Limited.

One of these vacancies has been filled with the election of Mr. Charles L. Barney, Vice President of Production, The Superior Oil Company, to Alminex's Board of Directors.

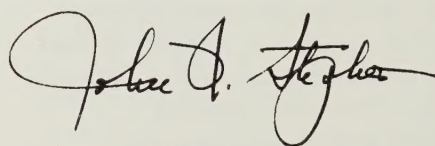
EMPLOYEES

The dedicated and untiring efforts of all Alminex's employees are greatly appreciated and your Directors are pleased to extend their sincere thanks to them.

On behalf of the Directors,



President and
Chief Executive Officer



Vice President and
General Manager

Calgary, Alberta
February 16, 1976



EXPLORATION

CANADA

ALBERTA: Alminex participated, either directly or through farmout, in 15 exploratory wells in Canada, of which 14 were in Alberta. Of these, three were gas discoveries and the remainder dry holes. Two of the gas discoveries are located at Rosevear (Alminex interests 12.5% and 3.13%) with each well completed in a different reservoir. The third discovery is at Niton (3.13%), on a block of leases comprising 1,920 acres.

Fewer seismic programs were undertaken during 1975, but based on this new work, several locations will be drilled in 1976 of which at least one will be a deep test in the Foothills. Other wells are planned for Gem where Alminex has, for the most part, a 15% interest in 24,000 lease acres. The Gem acreage is offset to the east and south by numerous wells capable of gas production from shallow sands. Because of higher prices it now appears economically attractive to again explore these lands. Additional wells are planned at Fort Assiniboine, Chisholm, Burnt Lakes and at Meikle River, in the northwestern part of the Province, where your Company has a 25% interest in 72,647 reservation acres.

NORTHWEST TERRITORIES (Arctic Islands): By completing the drilling of a well on Victoria Island, Murphy Oil Company Limited completed its farmout obligations and earned a 50% interest in Alminex's wholly owned 5.4 million acres in the Arctic Islands. Unfortunately, this test, which was drilled under most arduous conditions, was unsuccessful and 2.6 million acres were surrendered. Panartic Oils Ltd.'s well on Permit A-1778 on Banks Island, in which Alminex has a 15% interest, also failed to find production. Alminex did not participate in this well and would have been subject to a production penalty had it succeeded.

ONTARIO: Gravity programs continued in Ontario and a number of prospects have been delineated and land assembled with a view to drilling or farming out.

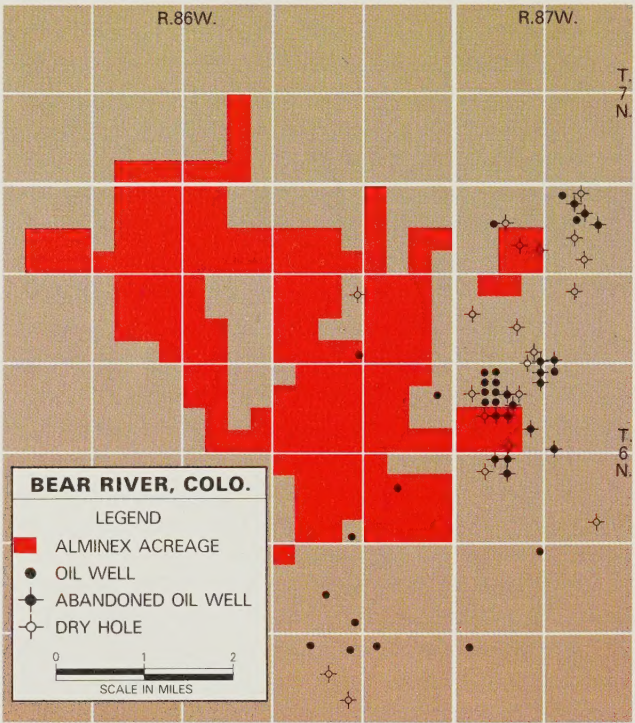
ATHABASCA OIL SANDS: As reported last year, an application was submitted in 1974 to the Alberta Energy Resources Conservation Board requesting approval to construct a 103,000-barrel-per-day extraction plant to develop Oil Sands Lease No. 30, jointly owned by Alminex (12.5%) and Home Oil Company Limited (87.5%). In June, 1975, conditional approval was received from the Board.

Alminex and Home view with concern the rapidly inflating costs of construction. This and the uncertainties relating to royalty, taxation and future crude prices have made it impossible for us to proceed with the formation of a Canadian consortium to finance this ambitious project. If significant production from this source is to become a reality, the Federal and Alberta Governments must co-operate and adopt policies which encourage oil

sands development. At this time the future of our venture remains in considerable doubt and expenditures have been sharply curtailed.

UNITED STATES

COLORADO: Northwest Colorado was the site of three exploratory wells, two of which, both at Bear River and both located on the same anticline, are oil discoveries. Approximately 1.7 miles apart, they are producing from the same reservoir. Alminex has a 17.5% interest in the discoveries and in 5,000 lease acres surrounding them, and a 45% interest in 6,300 lease acres on the northern part of the anticline. Additional exploration is planned on both groups of leases.



LOUISIANA (Onshore and Offshore): One dry hole was drilled onshore, but offshore, on Block 243 (4%), a gas discovery extended the existing field. Two more wells are planned for this lease block comprising 4,351 acres. The field is expected to come on stream in mid-1976, and will be Alminex's first production from its interests in the Gulf of Mexico.

MONTANA: Three exploratory tests were drilled of which one, at Prescott, (10.94%) is a gas discovery in several shallow sands. Reserves and deliverability will be modest, but 2,000 lease acres are available for development, which has already begun. A pipeline is nearby and negotiations with Montana Power Company for the sale of gas have been initiated.

NEW YORK: The first two wells in a five-well program were drilled in 1975, but neither was successful. The remaining prospects will be drilled in 1976.

NORTH DAKOTA: Alminex joined in a program of five wells. Four were exploratory tests and one offset a noncommercial well producing oil and water. The four exploratory tests failed. The result of the development location, which was successful, will be described later in this report.

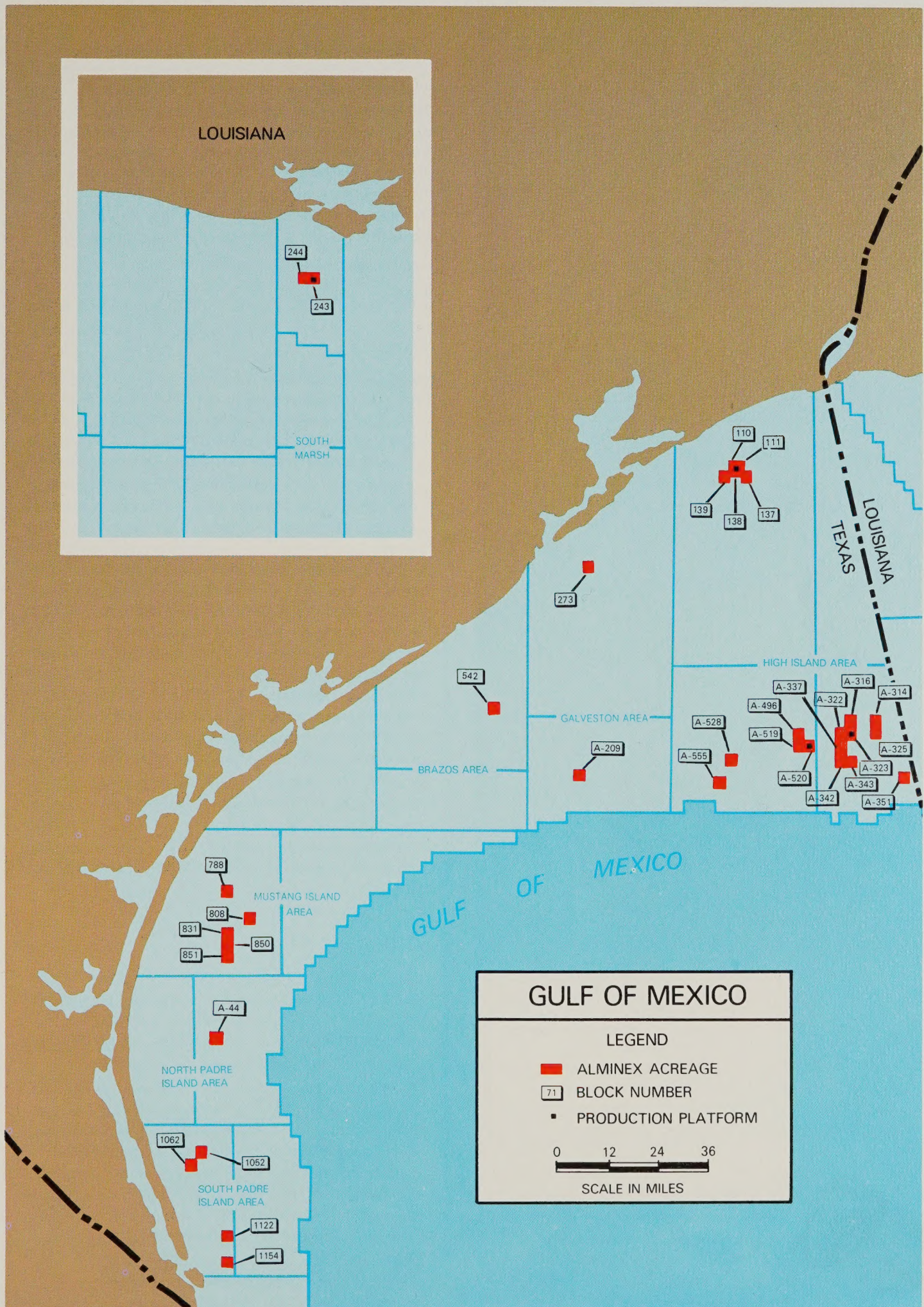
OKLAHOMA: Four tests were abandoned, but a fifth, near Duncan (25%), is an oil discovery. Efforts to extend the producing area have so far failed and it is probable that a seismic program will be undertaken to aid in unravelling the subsurface structural picture. Additional exploratory ventures are planned in this prolific oil and gas State.

TEXAS (Offshore): Alminex's interest in the offshore Texas area is of growing importance. Currently it has interests ranging from 0.125% to 10.0% in 32 Federal lease blocks of approximately 5,760 acres each. During 1975, 11 wells were drilled on these lands, and two were drilling at year-end. This program resulted in two gas discoveries. One is currently considered uneconomic but the other, on Block 831 (5%), flowed from two zones at rates of 4.8 and 5.3 million cubic feet per day, respectively. Further drilling in the vicinity of the latter discovery will determine its commercial significance.

WYOMING: One well was unsuccessful but a second, at Geis Ranch (Alminex 22.5%), found a thin oil column and was suspended. Additional exploration will be undertaken early in 1976 and, depending upon these results, the discovery well may prove of some future use, either as a producer or for the injection of water. Approximately 2,160 acres of lease are held in the immediate area.

EXPLORATION DRILLING

	<u>Oil</u>	<u>Gas</u>	<u>Dry</u>	<u>Total</u>
CANADA				
Alberta		3	11	14
Northwest Territories			1	1
UNITED STATES				
Colorado	2		1	3
Louisiana (On- and offshore) ...		1	1	2
Montana		1	2	3
New York			2	2
North Dakota			4	4
Oklahoma	1		4	5
Texas (Offshore)		2	9	11
Wyoming	1 (susp.)		1	2
TOTAL	<u>4</u>	<u>7</u>	<u>36</u>	<u>47</u>



GUATEMALA

Asamera Oil Corporation and Alminex, as equal partners, submitted an application in August, 1975, to the Guatemalan authorities to secure a Petroleum Operations Contract. Consideration of this application has been pending the enactment of new legislation covering oil and gas exploration. Such legislation has now been passed, but the recent severe earthquake cannot but defer consideration of our application.

INDIA

Alminex negotiated a farm-in from Carlsberg Petroleum Corporation whereby Alminex will earn a 2.5% interest in a Production Sharing Contract comprising almost seven million acres in the Bay of Bengal. The area undergoing exploration comprises the Indian portion of the offshore Ganges Delta and seismic reveals several prospective anticlinal structures involving a thick sedimentary succession. The agreement with the Indian authorities requires that two 12,000-foot tests be drilled. The first of these is underway and the second will be drilled in 1976.



SOUTHWEST AFRICA

Although extensive seismic programs revealed several anomalies of moderate interest, it was decided none warranted Alminex's further involvement and it surrendered its 7.5% working interest in the 5.2-million-acre block.

TURKEY

Production testing of the 1974 oil discovery, Yasince 2, resulted in very high water cuts. The operator proposed further testing and the deepening of the discovery well, but Alminex declined to join because of poor economics and has surrendered its 10% interest in the well and in the license. It retains a 10% interest in an adjoining license comprising 123,550 acres. Alminex is investigating the geology of Turkey with a view to determining other areas of exploration interest.

DEVELOPMENT

CANADA

ALBERTA: Alminex has interests in 33 development wells drilled in 1975, of which 30 are gas wells at Princess (6.5% overriding royalty) and two are oil wells at Freeman (13.33% and 8.33%). An apparent gas well at Medicine River (11.56%) was attempting a completion at year-end, and still another well, at Freeman (8.33%), was drilling. Further development drilling is contemplated in both Princess and Freeman, as well as in several other producing fields, to improve recovery or maintain production. Other wells are planned at Chisholm and Red Coulee to evaluate and develop the shallow gas reserves previously discovered, and development of the Gem gas reserves may occur if exploration results are encouraging. A gas processing plant will be constructed at Bashaw (3.64%) and wells will be drilled in the Marten Hills gas field (20.0%). Ways by which the western portion of Marten Hills can be placed on production are currently under study.

BRITISH COLUMBIA: The Scot Point area (6.25%) has undergone intermittent development of its gas reserves over a long period of time. Two successful wells were completed in 1975 and, with improving market expectations, other wells will be drilled in 1976.

UNITED STATES

COLORADO: The Beaver Creek oil discovery made in 1974 was offset by two wells (17.5%). Both encountered mechanical and other difficulties and, although both have been completed for production, their initial performances are not encouraging.

LOUISIANA (Offshore): Development drilling of the gas field on Block 243 (4%) resulted in two gas wells and one dry hole. A production platform has been constructed on the block, and previously suspended wells are being readied for production. This block, which is close to shore, should come on-stream by the middle of 1976 and will provide your Company with its first offshore revenue.

MONTANA: Of four development wells in Montana, three are gas wells. The Prescott discovery, described earlier, was extended by a well

in which Alminex has a 21.88% interest. The 1974 gas discovery at Tingdahl was offset in two directions. One well (21.88%) found the expected shallow production and also a new deeper gas reservoir; the other (16.41%) failed to find the shallow reserves but obtained gas in the deeper reservoir which is still being evaluated. Negotiations for the sale of gas are in progress with Montana Power.

NORTH DAKOTA: Alminex participated 16.67% in a well which, because it offsets a marginally commercial oil producer, is classified as a development location. A successful, water-free oil well has resulted and further development locations will be drilled in 1976.

OKLAHOMA: Three development locations were abandoned. One of these was a northeast offset to the previously described oil discovery near Duncan. Two small oil wells (7.5% and 45%) were completed in the Ponca City field and Alminex has varying interests in additional development lease acreage. A gas well near Crescent was completed and began selling production in October.

TEXAS (Offshore): Development of the gas reserves on several of the offshore Federal Lease Blocks has continued at a rapid pace. Production platforms have been constructed on Blocks 110/111 (0.125%), Block A-232 (0.25%), and Block A-520 (0.25%). Ten development wells were completed and two were drilling at year-end. Of those completed, eight are gas wells. Two additional production platforms have been ordered for Blocks A-342 and A-343 (1.0%); however, the latter will not be installed until 1977 and the former until 1978. It is a possibility that production from Blocks 110/111 will begin late in 1976. The delay in placing these blocks on production is due to the lack of pipelines in these areas remote from the mainland.

DEVELOPMENT DRILLING

	<u>Oil</u>	<u>Gas</u>	<u>Dry</u>	<u>Total</u>
CANADA				
Alberta	2	31		33
British Columbia		2		2
UNITED STATES				
Colorado	2			2
Louisiana (Offshore)		2	1	3
Montana		3	1	4
North Dakota	1			1
Oklahoma	2	1	3	6
Texas (Offshore)	—	8	2	10
TOTAL	<u>7</u>	<u>47</u>	<u>7</u>	<u>61</u>



Odeco "Ocean King" drilling the discovery well on Block 831, Mustang Is., Texas offshore. Alminex interest 5%.

LAND ACQUISITIONS

Alminex continued its acquisition of prospective acreage in Ontario and Alberta, and intends accelerating these efforts in Western Canada during 1976. In New York, gross lease holdings now total 56,000 acres, with Alminex's interest being generally 20%. Your Company purchased a 45% interest in 6,300 acres to the north of the oil discoveries at Bear River in northwestern Colorado. These, and other acquisitions, raise to 166,300 the number of gross acres in which Alminex has an interest in the Rocky Mountain States. On February 4, 1975, Alminex joined in purchasing ten Federal Lease Blocks of 5,760 acres each, offshore Texas. The Company's interest in seven of these blocks is 10% and in the rest is 5%. Subsequently, it sold one-half of its 10% interest in Block A-44 to The Superior Oil Company. On July 29, 1975, it participated in a similar sale and, together with its partners, was successful on three blocks. Alminex's interests in these blocks are 0.125%, 5% and 10%. Even more recently, Alminex purchased a 2.23% interest in Block 542, offshore Texas. This raises to 34 the number of blocks in the Gulf of Mexico in which Alminex has an interest.

These figures reveal the extreme variability of the non-regulated, intrastate market in the United States. The Federal Power Commission regulates the price of gas sold between states, and new

production currently commands a price of 52¢ per thousand cubic feet.

Alminex's land holdings, as of December 31, 1975, are summarized in the following table:

Area	Reservations, Licenses Permits		Petroleum and Natural Gas Leases		Total	
	Gross	Net	Gross	Net	Gross	Net
CANADA						
British Columbia.....	49,257.00	6,157.12	39,185.00	4,109.58	88,442.00	10,266.70
Alberta.....	129,475.00	36,999.15	1,256,039.02	209,517.06	1,385,514.02	246,516.21
Saskatchewan.....	66,880.00	22,293.37	78,393.00	28,991.74	145,273.00	51,285.11
Ontario.....			25,805.25	11,574.12	25,805.25	11,574.12
N.W.T.....	415,893.00	139,442.85	236,851.00	10,903.23	652,744.00	150,346.08
Arctic Islands.....	4,712,336.00	1,660,783.50			4,712,336.00	1,660,783.50
Yukon.....	184,128.00	92,064.00			184,128.00	92,064.00
UNITED STATES						
Colorado.....			18,442.34	5,289.91	18,442.34	5,289.91
Illinois.....			6,420.92	2,432.84	6,420.92	2,432.84
Kansas.....			240.00	108.00	240.00	108.00
Louisiana (Onshore).....			539.28	72.41	539.28	72.41
Louisiana (Offshore).....			9,351.36	374.05	9,351.36	374.05
Montana.....			137,476.05	57,284.74	137,476.05	57,284.74
New York.....			62,205.30	12,923.72	62,205.30	12,923.72
North Dakota.....			5,429.33	938.14	5,429.33	938.14
Oklahoma.....			15,886.14	6,738.07	15,886.14	6,738.07
Pennsylvania.....			10,613.93	2,283.15	10,613.93	2,283.15
Texas (Offshore).....			172,800.00	6,094.80	172,800.00	6,094.80
Wyoming.....			10,521.46	3,975.61	10,521.46	3,975.61
OVERSEAS						
Turkey.....	123,552.50	12,355.25			123,552.50	12,355.25
India.....	6,988,140.00	174,703.50			6,988,140.00	174,703.50
TOTAL.....	12,669,661.50	2,144,798.74	2,086,199.38	363,611.17	14,755,860.88	2,508,409.91

SALE OF PRODUCTION

Gross sales volumes of oil, natural gas liquids, natural gas and sulphur for 1975, inclusive of royalty, and their comparisons with 1974, are as follows:

	Oil (Bbls.)		Natural Gas (MCF)		Natural Gas Liquids (Bbls.)		Sulphur (Long Tons)	
	1975	1974	1975	1974	1975	1974	1975	1974
Alberta.....	2,752,094	2,820,027	9,528,758	9,876,879	287,671	299,539	3,336	5,580
Saskatchewan.....	15,742	15,354	20,535	25,426				
Ontario.....	3,216	3,127						
United States.....	8,649	1,090						
TOTAL.....	2,779,701	2,839,598	9,549,293	9,902,305	287,671	299,539	3,336	5,580

CRUDE OIL

Export taxes and other restrictions on the sale of Canadian crude to the United States resulted in a decline in Alminex's gross sales volumes of 2.1%. These restrictions have intensified with exports to the United States being further reduced to 510,000 barrels per day on January 1, 1976. Exports will be phased out over the next few years. Since domestic markets will not show any major improvement until operation of the Sarnia-Montreal pipeline begins late in 1976, no increase in production from existing

fields is expected in the near-term. In the absence of major new oil discoveries, it is unlikely that Western Canadian production will ever again rise to its previous levels, as the Federal Government seeks to stretch out the remaining recoverable reserves in order to meet most of the domestic requirements for as long as possible.

The Federal budget of June 23, 1975, increased the price of crude oil by \$1.50, to \$8.00 per barrel, effective July 1, 1975. The Alberta Government's

royalty on this increment is 50%, and this rate is a reduction from former levels. With the Federal Government's tax revenue diminishing because of decreasing oil sales to the United States, and the growing cost of subsidizing the importation of foreign oil into Eastern Canada, it appears likely that the price of domestic crude will again rise in the near future. However, unless Provincial royalties are further reduced, and tax concessions are granted by the Federal Government, the bulk of any increment will accrue to these Governments, rather than to producers.

The selling prices of Alminex's U.S. production range up to \$13.20 per barrel; however, as a result of recent legislation designed to reduce oil prices and the elimination of the \$2.00-per-barrel importation tax, these prices are expected to be reduced effective February 1, 1976.

NATURAL GAS LIQUIDS AND NATURAL GAS

Gross sales of natural gas liquids, which comprise propane, butane and condensate, declined by 4.0%. Like crude oil, there are restrictions placed on the sale of these commodities to the United States. Although market demand was soft, propane and butane prices were generally stable. The selling price of condensate, however, rose, since it is related to the value placed on high-gravity oil.

A decline of 3.6% in the gross sales volumes of natural gas was also recorded in 1975 over the previous year. All fields are producing at or near capacity. Currently, gas wells located in the United States are making no significant contribution to production, but, as they and new Canadian fields or new field extensions come on-stream, this decrease will be reversed.

On November 1, 1975, the selling price of natural gas was established by the Alberta and Federal Governments at \$1.25 per thousand cubic feet at the Toronto gate. Simultaneously, the export price to the United States rose to \$1.60 per thousand cubic feet from \$1.40. The latter price had only been in effect since August 1, 1975. The higher export prices are being shared among all producers on a basis proportionate to their production. Pricing agreements between the producers and the pipe line companies have been superseded as a result of this action, and Alminex's selling prices have risen to between 94¢ and 98¢ per thousand cubic feet. The incremental selling price, less certain acceptable expenses for lifting and processing, are subject to an Alberta royalty of 50%, so that here again, Governments will receive the lion's share.

Your Company's gas production in Oklahoma is currently selling for 75¢ per thousand cubic feet. An offer of \$1.65 has been received for other reserves.



Night at Harmattan Area Gas Plant, Southern Alberta.

RESERVES

CRUDE OIL

Although gross sales volumes in 1975 totalled 2,779,701 barrels, gross proven and probable reserves of crude oil remaining at December 31, 1975, declined only 2,254,000 barrels, due to significantly improved reservoir performance at Virginia Hills and Harmattan Elkton. Downward adjustments occurred at House Mountain and Inverness. Only minimum reserves were added for northwestern Colorado, although production from certain of the discoveries there is encouraging. Similarly, only minor reserves were added for discoveries in North Dakota and Oklahoma, as additional drilling is required before estimating their potential.

NATURAL GAS LIQUIDS

Gross reserves of natural gas liquids declined by 111,000 barrels over those of the prior year. Upward adjustments at Harmattan Elkton and Harmattan East, due to improved reservoir performance, were insufficient to exceed 1975's production of 288,000 barrels.

NATURAL GAS

Reserves of natural gas decreased 6.641 billion cubic feet, due, in large part, to the year's production of 9.549 billion cubic feet. Other reductions in reserves occurred at Carstairs Elkton and at Harmattan Leduc, where reservoir

performance is deteriorating. Your Company's participation in the Princess field changed, by farmout, from a 25% working interest to a 6.5% overriding royalty, thereby causing a reduction in reserves. Additions at Swan Hills, Virginia Hills, Harmattan Elkton, Rosevear and Block 243, offshore Louisiana, partly overcame these subtractions.

SULPHUR

Although the year's sales of 3.3 thousand long tons was a factor, the major cause in the decline of sulphur reserves was the poor reservoir performance at Harmattan Leduc, the primary source of Alminex's production.

RESERVES

	December 31	
	1975	1974
Crude Oil (Millions of barrels)		
Proven and Probable	40.165	42.419
Natural Gas Liquids (Millions of barrels)		
Proven and Probable	2.747	2.858
Natural Gas (Billions of cubic feet)		
Proven and Probable	177.639	184.280
Sulphur (Thousands of long tons)		
Proven and Probable	221	316

Beaver Durham 12-32, Moffat County, Colorado





Sulphur Stockpile, Harmattan Area Gas Plant

FINANCIAL

Despite decreased sales volumes, higher selling prices for oil, natural gas and certain natural gas liquids caused Alminex's revenue from these sources to rise 36.8% over 1974, to \$19,593,490. Investment income increased to \$488,008 and revenues from all sources totalled \$20,081,498, up 35.9%, this despite royalties of \$9,656,000, 38.4% higher than those paid in 1974. All categories of expenses were up except geophysical, which was down. Operating expenses increased due to the Mineral Reserve Tax, and expenditures on exploratory drilling increased 160.3%, reflecting your Company's increased activity. After subtracting all of these costs, as well as the provisions for property surrendered and depletion and depreciation, income before income taxes totalled \$12,054,652, an increase of 45.1%. Provision for income taxes, however, almost eliminated these gains by rising 106.8%, to \$7,146,000, and resulted in Alminex's net income increasing only 1.2%, to \$4,908,652. The higher taxation was due, largely, to the Federal Government's reduction in the depletion allowance and its unwillingness to expense Provincial royalties, which it deems the companies to have received as income.

Capital expenditures declined modestly to \$3,703,956, due to a marked decrease in the costs of developing proven properties. Additions to plant and equipment were slightly lower, but the acquisition of properties was higher. Again, this was largely the result of purchasing Federal lands in the Gulf of Mexico.

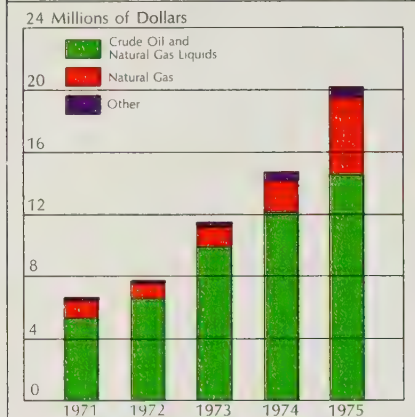
Your Board of Directors maintained the dividend payout of 24¢ per share or \$1,838,039.

Provisions contained in the Federal budget of June 23, 1975, are not expected to have a material effect on the Company, although, in certain aspects, their eventual impact is not yet completely understood. The positive effect of the concession effective January 1, 1976, that a company can deduct 25% of certain costs as a Resource Allowance, was effectively eliminated by increasing the rate of taxation; however, it will tend to encourage more domestic exploration. Although Governments still appear unwilling to admit that excessive economic rent and onerous rates of taxation will contribute to the energy crisis which Canada faces, they are taking tentative steps to alleviate these burdens. Alminex hopes that they will continue to do so.

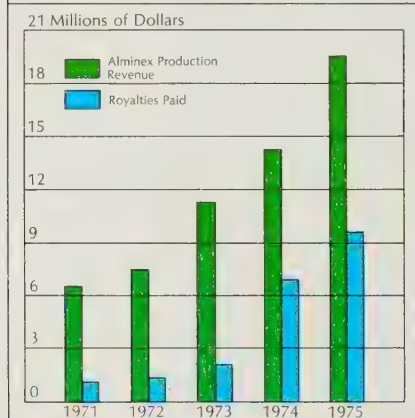
ALMINEX LIMITED

TEN-YEAR SUMMARY

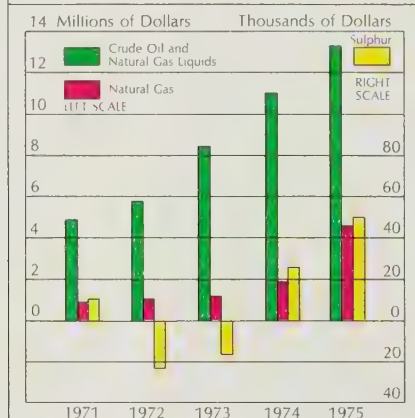
GROSS REVENUE



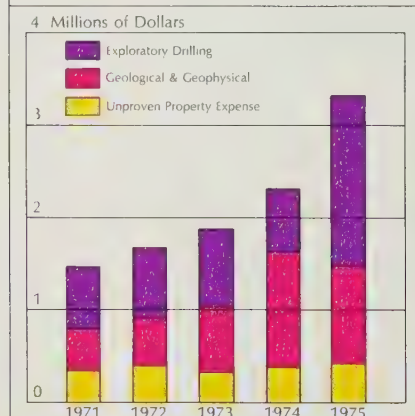
OPERATING REVENUE



NET PRODUCTION REVENUE



EXPLORATION EXPENDITURES



FINANCIAL

	1975	1974	1973
Operating Revenue (After royalty)	\$19,593,490	\$14,318,680	\$11,329,486
Net Production Revenue (After operating costs)	17,854,901	13,057,160	9,656,854
Administrative and General Expense	435,245	309,952	273,471
Interest Expense			
Exploration Expense ¹	3,310,091	2,318,672	1,862,062
Depletion, Depreciation and Write-offs	2,542,921	2,578,853	2,404,034
Cash Earnings (After all cash expenses except income taxes)	14,597,573	10,885,932	7,746,505
Net Income ³	4,908,652	4,852,079	3,117,436
Bank Loans Outstanding			

OPERATING

Average Daily Sales Volumes:⁴

Oil and NGL (Barrels)	8,404	8,600	9,091
Natural Gas (Thousands of cubic feet)	26,162	27,129	27,172

Reserves (Proven and probable):

Crude Oil (Barrels)	40,165,000	42,419,000	45,888,000
Natural Gas Liquids (Barrels)	2,747,000	2,858,000	4,648,000
Natural Gas (Billions of cubic feet)	177.64	184.28	187.82
Sulphur (Long tons)	221,000	316,000	346,000
Net Acreage	2,508,410	6,891,429	6,760,274

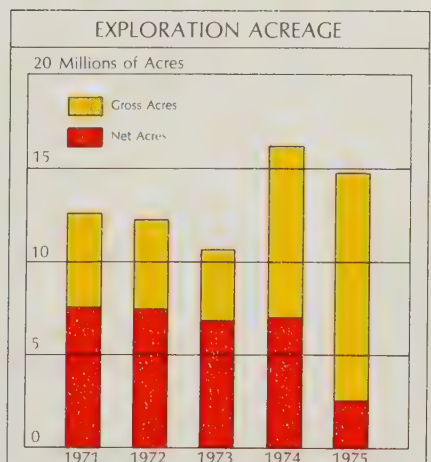
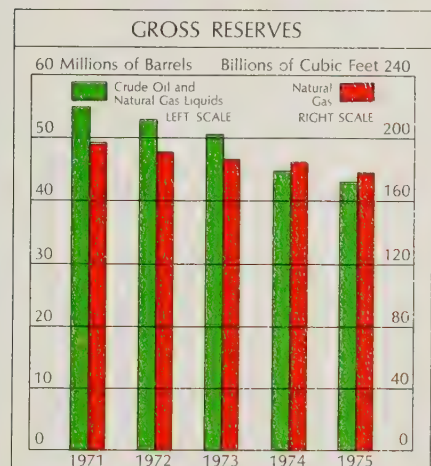
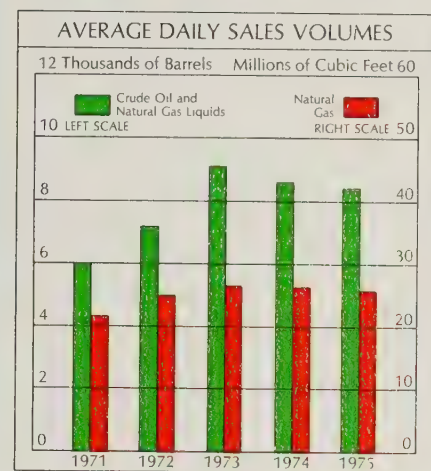
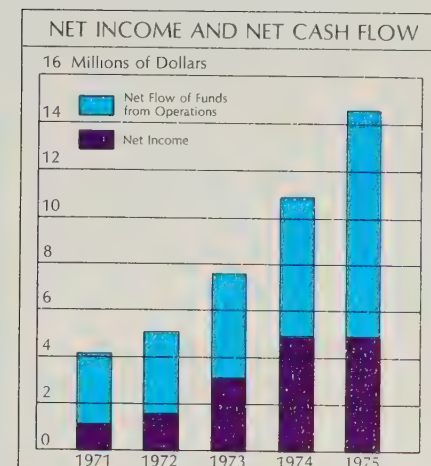
¹Includes exploration drilling, dry hole costs, geological, geophysical and unproven property expense.

²Re-stated to reflect consolidation of the United States and United Kingdom owned subsidiaries.

³Re-stated to reflect adoption of deferred taxes on a retroactive basis.

⁴Re-stated to "Before Royalty" basis. Figures prior to 1973 are estimated.

1972	1971	1970	1969	1968	1967	1966
\$ 7,727,121	\$ 6,457,406	\$ 5,366,105	\$ 4,775,003	\$ 4,713,879	\$ 4,397,132	\$ 3,802,247
6,831,842	5,653,348	4,680,232	4,251,959	4,176,554	3,877,245	3,332,191
205,074	188,405	170,121	154,097	150,360	152,851	145,863
		30,128	52,150	96,075	129,399	142,114
1,663,468	1,451,960 ²	901,168 ²	1,022,724	1,217,884	1,074,540	749,111
2,208,673	1,808,332 ²	1,519,112 ²	1,400,604	1,242,889	1,280,081	1,072,420
5,068,838	4,094,371 ²	3,649,014 ²	3,038,017	2,735,134	2,530,494	2,295,103
1,584,568	1,194,039	1,029,902	829,413	749,245	617,118	631,683
			827,000	734,000	1,812,000	2,426,000
7,261	6,027	5,189	4,705	4,424	4,058	3,771
24,755	22,951	24,192	18,722	16,375	15,784	16,594
48,299,000	50,427,000	52,400,000	54,285,000	55,085,000	56,923,000	57,699,000
5,043,000	5,310,000	5,533,000	5,749,000	6,010,000	6,183,000	5,162,000
191.36	198.18	208.03	209.44	201.93	192.32	186.21
226,000	232,000	237,000	246,000	255,000	262,000	313,000
7,378,799	7,468,414	6,941,139	7,138,206	6,947,635	2,707,183	2,691,002



ALMINEX LIMITED

and Subsidiary Companies

(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1975

(with comparative figures for 1974)

	1975	1974
ASSETS		
CURRENT ASSETS		
Cash, term deposits and investment certificates	\$ 6,969,168	\$ 5,167,156
Accounts receivable	2,359,761	1,555,954
Inventory, at lower of cost and replacement cost	81,447	69,330
Prepaid expenses	12,705	7,754
	<u>9,423,081</u>	<u>6,800,194</u>
OTHER ASSETS		
Investments, at cost		
Marketable (quoted market value 1975, \$275,000; 1974, \$5,350)	353,767	9,710
Other (note 2)	179,117	93,322
Operating and performance deposits	189,521	121,493
	<u>722,405</u>	<u>224,525</u>
PROPERTY, PLANT AND EQUIPMENT, at cost (note 3)	<u>56,867,476</u>	<u>53,457,240</u>
Less accumulated depletion and depreciation	<u>23,158,516</u>	<u>20,909,315</u>
	<u>33,708,960</u>	<u>32,547,925</u>
	<u>\$43,854,446</u>	<u>\$39,572,644</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 738,227	\$ 445,827
Income and other taxes payable	2,130,338	993,550
	<u>2,868,565</u>	<u>1,439,377</u>
PREPAYMENTS ON FUTURE GAS DELIVERIES (note 4)	<u>239,373</u>	<u>239,373</u>
DEFERRED INCOME TAXES (note 1 (c))	<u>2,700,000</u>	<u>2,917,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
10,000,000 shares without par value		
Issued		
7,662,661 shares	35,082,432	35,082,432
CONTRIBUTED SURPLUS	<u>70,091</u>	<u>70,091</u>
RETAINED EARNINGS (DEFICIT)	<u>2,893,985</u>	<u>(175,629)</u>
	<u>38,046,508</u>	<u>34,976,894</u>
	<u>\$43,854,446</u>	<u>\$39,572,644</u>

Approved by the Board

Jos. E. Reid

Director

John A. Stephen

Director

ALMINEX LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1975

(with comparative figures for 1974)

	<u>1975</u>	<u>1974</u>
REVENUE		
Operating revenue, less royalties	\$19,593,490	\$14,318,680
Investment and other revenue	<u>488,008</u>	<u>457,396</u>
	<u>20,081,498</u>	<u>14,776,076</u>
EXPENSES		
Operating	1,738,589	1,261,520
Administrative and general	435,245	309,952
Exploratory drilling and dry hole costs	1,840,381	707,119
Geophysical and geological	1,050,385	1,238,798
Unproven property	<u>419,325</u>	<u>372,755</u>
	<u>5,483,925</u>	<u>3,890,144</u>
Income before provisions, write-offs and income taxes	<u>14,597,573</u>	<u>10,885,932</u>
PROVISIONS AND WRITE-OFFS		
Property surrendered	293,389	222,962
Depletion	1,663,000	1,708,600
Depreciation	<u>586,532</u>	<u>647,291</u>
	<u>2,542,921</u>	<u>2,578,853</u>
Income before income taxes	<u>12,054,652</u>	<u>8,307,079</u>
Income taxes (note 1 (c))		
Current	7,363,000	3,107,000
Deferred	<u>(217,000)</u>	<u>348,000</u>
	<u>7,146,000</u>	<u>3,455,000</u>
NET INCOME FOR THE YEAR	<u>\$ 4,908,652</u>	<u>\$ 4,852,079</u>
EARNINGS PER SHARE, based on shares outstanding during the year	<u>\$ 0.64</u>	<u>\$ 0.63</u>

ALMINEX LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1975
(with comparative figures for 1974)

	1975	1974
Deficit at beginning of year	\$ (175,629)	\$(3,188,669)
Net income for the year	<u>4,908,652</u>	<u>4,852,079</u>
	4,733,023	1,663,410
Dividends paid	<u>1,839,038</u>	<u>1,839,039</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 2,893,985</u>	<u>\$ (175,629)</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1975
(with comparative figures for 1974)

	1975	1974
SOURCE OF FUNDS		
Income before provisions, write-offs and income taxes	\$14,597,573	\$10,885,932
Income taxes, current	<u>7,363,000</u>	<u>3,107,000</u>
Funds provided by operations	<u>7,234,573</u>	<u>7,778,932</u>
APPLICATION OF FUNDS		
Acquisition of properties	2,095,698	2,006,512
Development of proven properties	1,074,626	1,542,564
Additions to plant and equipment	<u>533,632</u>	<u>544,078</u>
	3,703,956	4,093,154
Decrease in prepayment on future gas deliveries		368,881
Increase in other assets	497,880	51,507
Dividends paid	<u>1,839,038</u>	<u>1,839,039</u>
	<u>6,040,874</u>	<u>6,352,581</u>
INCREASE IN WORKING CAPITAL	1,193,699	1,426,351
WORKING CAPITAL AT BEGINNING OF YEAR	<u>5,360,817</u>	<u>3,934,466</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 6,554,516</u>	<u>\$ 5,360,817</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1975

1. Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of Alminex Limited and its wholly owned foreign subsidiaries, Alminex (U.S.) Inc., Alminex U.S.A., Inc., Alminex (U.K.) Limited, and A/S Norsk Alminex Limited.

Amounts in foreign currency are translated into Canadian currency on the following basis:

- (i) Current assets and current liabilities at exchange rates in effect at the end of the year;
- (ii) Non-current assets and liabilities at the rate prevailing when acquired or incurred; and
- (iii) Revenue and expenses, at the average rate of exchange for the year, except for depreciation and depletion which are on the same rates as the related assets.
- (iv) Gains and losses on translation of revenue and expense transactions are reflected in earnings; gains on translation of foreign subsidiaries' accounts for consolidation purposes are deferred and losses are reflected in earnings.

(b) Oil and Gas Operations

The costs of acquiring interests in proven and unproven oil and gas properties and the development costs of productive wells are capitalized. Property costs of an area are transferred from unproven to proven properties when production commences. Depletion is provided on proven property costs, including development costs of productive wells, on a unit of production method based on the total of estimated proven and probable reserves of oil and gas. In calculating depletion, natural gas reserves and production are converted to equivalent barrels of crude oil based on the relative net sales value of each product.

Lease rentals and other unproven property costs, dry hole costs and exploration expenses are charged to expense as incurred. The costs of properties which are abandoned are written-off when the properties are surrendered.

Depreciation on plant and equipment is provided on a diminishing balance basis at annual rates of 20% on gas plants, 30% on production equipment and various rates on other equipment, which rates are considered sufficient to write-off the cost of the equipment over its estimated useful life.

(c) Income Taxes

The Company follows the allocation method of accounting for the tax effect of timing differences between taxable income and recorded income. Under tax allocation, deferred income taxes are provided to the extent that current income taxes have been reduced by claiming capital cost allowances and property and development costs in excess of the related depreciation, depletion and property costs charged against earnings in the accounts.

Total income tax provision amounted to \$7,146,000 for 1975 (\$3,455,000 for 1974) in relation to income before taxes of \$12,054,652 for 1975 (\$8,307,079 for 1974). The amount on which income taxes are computed differs from reported income for the following reasons:

	1975	1974
	(,000)	(,000)
Income before income taxes	\$12,055	\$ 8,307
Increase (decrease) resulting from:		
Depletion and write-off of property costs which are not tax deductible	1,262	1,241
Taxable Crown royalties and similar payments not included in income	9,401	5,005
Losses of subsidiary companies on which no tax benefit was recorded	1,427	364
Depletion allowances	(959)	(3,459)
Other expenses (income)	654	(1)
Income for income tax purposes	<u>\$23,840</u>	<u>\$11,457</u>
Tax before provincial rebates of taxes on royalties	\$ 9,168	\$ 4,648
Provincial rebates	2,022	1,193
	<u>\$ 7,146</u>	<u>\$ 3,455</u>

2. Investments

Other investments at December 31, 1975 include common shares of Panarctic Oils Ltd. acquired in consideration of Alminex incurring exploration and development expenditures of \$164,437 on lands controlled by Panarctic.

3. Property, Plant and Equipment

	1975			1974
	Cost	Accumulated Depletion and Depreciation	Net	Net
Proven properties, including development.	\$41,385,337	\$16,057,089	\$25,328,248	\$25,922,550
Unproven properties.	6,244,286		6,244,286	4,436,242
Plant and equipment	9,237,853	7,101,427	2,136,426	2,189,133
	<u>\$56,867,476</u>	<u>\$23,158,516</u>	<u>\$33,708,960</u>	<u>\$32,547,925</u>

4. Prepayment on Future Gas Deliveries

The company has received an advance payment of \$239,373 on future delivery of gas in the United States. The advance is to be repaid in progressive amounts over a five year period from the date of initial delivery or in five equal instalments to commence the earlier of completion of the exploration program if commercial production is not achieved, or August, 1978.

5. Capital Stock

At December 31, 1975 there were outstanding options to employees to purchase a total of 100,000 shares at \$4 per share exercisable as follows:

67,500 shares at the discretion of directors of the company.

32,500 shares on a cumulative basis in five equal instalments to December 31, 1979.

6. Other Statutory Information

	1975	1974
Number of directors	5	6
Aggregate remuneration of directors as directors.	Nil	Nil
Number of officers.	6	6
Aggregate remuneration of officers as officers.	\$107,107	\$94,706
Number of officers who are also directors	5	4

7. Dividends

The company is subject to dividend restrictions under provisions of the federal anti-inflation act regulations. Maximum dividends which may be paid during the twelve month period ending October 13, 1976 amount to 24 cents per share.

AUDITORS' REPORT

To the Shareholders of
Alminex Limited

We have examined the consolidated balance sheet of Alminex Limited and subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
January 29, 1976

THORNE RIDDELL & CO.
Chartered Accountants

PRODUCING PROPERTIES

OIL

	SALES VOLUME	
	1975	1974
	(Barrels Including Royalty)	
ALBERTA		
Swan Hills	1,736,500	1,735,857
Virginia	287,713	333,185
Mitsue	223,052	217,095*
Harmattan Elkton	206,901	209,594
Inverness	74,376	74,195
Pembina	57,332	71,133
Harmattan East	40,668	52,870
Medicine River	22,938	21,961
Westward Ho	22,350	29,883
Crossfield Cardium	19,899	19,366
Freeman	18,175	14,466
Erskine D-3	16,840	14,018
Manyberries	4,046	6,215
House Mountain	2,794	3,441
Sundre	2,715	2,359
Stettler	2,499	2,765
Retlaw	1,063	1,036
West Provost	322	474
Total Alberta	2,740,183	2,809,913
SASKATCHEWAN	15,742	15,354
UNITED STATES	8,649	1,090
ONTARIO	3,216	3,127
ROYALTY INTEREST	11,911	10,114*
TOTAL	2,779,701	2,839,598
DAILY AVERAGE	7,616	7,780

*Re-stated

GAS AND NATURAL GAS LIQUIDS

	GAS SALES VOLUMES (at 14.4 psi)		NGL SALES VOLUME	
	1975	1974	1975	1974
	(MCF Including Royalty)		(Bbls. Including Royalty)	
ALBERTA				
Carstairs	4,222,245	4,555,497	171,490	182,060
Marten Hills	1,322,108	1,312,701		
Swan Hills	1,030,533	980,647		
Bindloss	906,024	980,544		
Harmattan Elkton	409,885	485,152	79,199	79,835
Retlaw	337,850	332,629	2,870	3,058
Whitecourt	195,962	233,926	880	1,113
Calgary Units	160,244	154,010	6,392	6,066
West Provost	146,792	153,113	199	187
Virginia Hills	137,426	147,872		
Harmattan East	107,940	108,438	8,961	9,429
Pendor	86,438	112,676		
South Elkton	78,777	93,228	1,847	2,134
Mitsue	73,132	70,160	11,234	13,450
Atlee Buffalo	38,483	22,288		
Inverness	36,403	37,719		
Crossfield Turner Valley	34,993	35,831	1,427	1,554
Erskine	24,078	12,126	653	
Westward Ho	18,437	17,798	505	542
Sylvan Lake	11,175	10,369	587	
Other Interests	78,873	6,802	1,427	111
Total Alberta	9,457,798	9,863,526	287,671	299,539
SASKATCHEWAN	20,535	25,426		
ROYALTY INTEREST	70,960	13,353		
TOTAL	9,549,293	9,902,305	287,671	299,539
DAILY AVERAGE	26,162	27,129	788	820

SULPHUR

	SALES VOLUMES	
	1975	1974
	(Long Tons Including Royalty)	
ALBERTA		
Harmattan Leduc	2,713	4,261
Carstairs Crossfield	487	1,196
Calgary Units	95	123
Erskine	41	
TOTAL	3,336	5,580
DAILY AVERAGE	9	15

Auditors

Thorne Riddell & Co.

Solicitors

Milner & Steer, Calgary, Alberta

Thomas W. Whittington, Denver, Colorado

Bankers

The Royal Bank of Canada

Canadian Imperial Bank of Commerce

First National City Bank

Registrar and Transfer Agents

Crown Trust Company

Vancouver, Calgary, Toronto, Montreal

Shares Listed (Symbol ALN)

Toronto Stock Exchange

Subsidiary Companies

Alminex (U.K.) Limited

Alminex (U.S.) Inc.

Alminex U.S.A., Inc.

A/S Norsk Alminex Limited

